

Message Text

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DRAFTED BY: COM/BIC/OED/MEPD:CATKINS

APPROVED BY: S/S-O:PPSARROS

COMM/BIC/OED/MEPD/262:JMSANDS

STATE: ADORNHEIM (PHONE)

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O 300032Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA IMMEDIATE

UNCLAS STATE 234816

E.O. 11652: N/A

TAGS: BMEP, ID

SUBJ: STEEL MILL TASK FORCE

1. STEEL TEAM HAS ASKED US TO RETRANSMIT THE FOLLOWING TO YOU. PLEASE ADVISE BY PHONE AND CONFIRM BY RETURN CABLE IBNU'S RESPONSE BY NO LATER THAN FRIDAY NOON WASHINGTON TIME. DECISION TO PROCEED ON SCHEDULE OR CANCEL DEPENDENT ON IBNU'S RESPONSE AND YOUR CONCURRENCE.

2. NOVEMBER 29, 1973

3:40 P.M.

ATTENTION: CRAIG ATKINS - BMEP

IN RESPONSE TO INVITATION ISSUED IN RECENT DISCUSSIONS WITH COMMERCE DEPARTMENT REPRESENTATIVES TO COLLABORATE WITH KRAKATAU IN DEVELOPING THE STEEL INDUSTRY OF INDONESIA A GROUP COMPOSED OF MCKEE, KOPPERS AND ARMCO CONTEMPLATE THE FOLLOWING APPROACH TO THE PROBLEM.

OUR GROUP PROPOSES TO OUTLINE A PLAN TO GENERAL IBNU TO CONSTRUCT A MAJOR STEEL PLANT TO BE BUILT IN PHASES.

THE INITIAL PHASE WOULD APPROXIMATE 500,000 TONS IN
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CAPACITY UTILIZING THE DIRECT REDUCTION - ARC FURNACE -

CONTINUOUS CASTING OF BILLETS PLUS NECESSARY MILLS TO PRODUCE FINISHED PRODUCTS. OUR PLAN PRE-SUPPOSES THAT THE SIZE OF THE INITIAL PLANT HAS BEEN SET BY THE 500,000 T/YR DIRECT REDUCTION PLANT THAT FERROSTAHL HAS OFFERED. DEFINITION OF SUCCESSIVE PHASES AND ULTIMATE PLANT CAPACITY WOULD BE DETERMINED BY OUR GROUP AS A PART OF THE ENGINEERING OF THE INITIAL PHASE. THIS WILL INSURE THAT FACILITIES PROVIDED IN THE INITIAL PLANT WILL BE COMPATIBLE WITH THE ULTIMATE PLANT CONCEPT. OUR PLAN WOULD INCORPORATE AT THE OPTION OF KRAKATAU THE FERROSTAHL DIRECT REDUCTION PLAN, THE MARUBENI COLD MILL OR SIMILAR FACILITIES.

FOR THE DECEMBER 11-12 MEETINGS OUR GROUP WOULD PRESENT A BROAD OUTLINE DESCRIBING PRODUCTION FACILITIES PROPOSED IN INITIAL PHASE TOGETHER WITH A PRELIMINARY ESTIMATE OF COST OF SAID FACILITIES. ASSUMING THE PLANT WILL BE LOCATED AT CILEGON, SUPPORTING FACILITIES SUCH AS HARBOR AND DOCK, POWER AND TRANSPORT WILL ALSO BE CONSIDERED. AFTER DISCUSSIONS WITH GENERAL IBNU AND HIS STAFF, IF OUR PLAN IS OF INTEREST AND WORTH PURSUING, ELEMENTS OF OUR PLAN CAN BE ADJUSTED TO CONFORM TO KRAKATAU REQUIREMENTS. THIS REVISED PLAN WOULD BE THE BASIS FOR A PROPOSAL TO ENGINEER AND CONSTRUCT AND PLACE IN OPERATION THE PLANT AS FINALLY DEFINED. OUR PROPOSAL WOULD PROVIDE FOR COMPENSATION ON A FEE BASIS, SINCE THERE APPEARS TO BE SUFFICIENT INFORMATION AVAILABLE TO PERMIT THE 500,000 T PROJECT TO PROCEED IMMEDIATELY. A LUMP SUM PROPOSAL WOULD REQUIRE MONTHS TO PREPARE.

WE TRUST THAT THIS APPROACH IS ACCEPTABLE TO GENERAL IBNU. PLEASE DISCUSS WITH THE GENERAL AND ADVISE BY TELEXING MCKEE AT 980233 IN ORDER THAT AIR TRAVEL PLANS CAN BE COMPLETED.

REGARDS
MERRIL COX
ARTHUR G. MCKEE AND COMPANY. KISSINGER

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